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REVIEW OF MAJOR DEVELOPMENTS IN THE AREA OF ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, INCLUDING REGULAR CONSULTATIONS* AND TECHNICAL SUPPORT, ASSISTANCE AND SKILL DEVELOPMENT

Report by the UNCTAD secretariat

*Discussion of policy issues and review of developments concerning REGULAR CONSULTATIONS are detailed in the following UNCTAD secretariat documents: "Report of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries" (TD/B/CN.3/6-TD/B/CN.3/GE.1/5, 25 July 1994); "Review and analysis of the development objectives and external assistance requirements of ECDC participants" (TD/B/CN.3/GE.1/2, 12 April 1994 and corrigendum); "Scope and features of the subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/3, 2 May 1994); and "Preliminary suggestions regarding the improvement of the scope and effectiveness of subregional, regional and interregional components of development assistance programmes of the donor community" (TD/B/CN.3/GE.1/4, 3 May 1994).

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ABBREVIATIONS

ACP	Africa, Caribbean and Pacific Group of States
ACS	Association of Caribbean States
ACU	Asian Clearing Union
AEC	African Economic Community
AFTA	ASEAN Free Trade Area
ALADI	Latin American Integration Association
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
ATFP	Arab Trade Financing Programme
BLADEX	Latin American Export Bank
CACH	Central American Clearing House
CACM	Central American Common Market
CAF	Andean Development Corporation
CARICOM	Caribbean Community
CEAO	West Africa Economic Community
CEMAC	Economic and Monetary Community of Central Africa
CEPGL	Economic Community of the Great Lakes Countries
CHCAS	Clearing House of the Economic Community of Central African States
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECCAS	Economic Community of Central African States
ECDC	economic cooperation among developing countries
ECO	Economic Cooperation Organization
ECOWAS	Economic Community of West African States
GCC	Cooperation Council for the Arab States of the Gulf
IOC	Indian Ocean Commission
LARF	Latin American Reserve Fund
MERCOSUR	Southern Cone Common Market
MRU	Mano River Union
MSG	Melanesian Spearhead Group
NAFTA	North American Free Trade Area
NAM	Non-Aligned Movement
OAU	Organization of African Unity
OECS	Organization of Eastern Caribbean States
OIC	Organization of the Islamic Conference
PTA	Preferential Trade Area for Eastern and Southern Africa States
PTACH	PTA Clearing House
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community

SAFICO	Andean Trade Financing System
SAPTA	SAARC Preferential Trading Arrangement
SELA	Latin American Economic System
SICA	Central American Integration System
SPF	South Pacific Forum
UAPTA	Unit of Account of the PTA
UDEAC	Central African Customs and Economic Union
UMA	Arab Maghreb Union
UNCTAD	United Nations Conference on Trade and Development
WACH	West African Clearing House
WAMA	West African Monetary Agency

INTRODUCTION AND SUMMARY

1. At its first session, the Standing Committee on Economic Cooperation among Developing Countries approved the provisional agenda for its second session, which included an item on the review of major developments in the area of economic cooperation among developing countries.[1] The following report has been prepared in response to this decision and it updates the review that was carried out in 1992 for the first session of the Standing Committee.[2] (The addendum to the report, TD/B/CN.3/9/Add.1, contains the statistical data on South-South trade flows including trade with integration groupings, the operations of clearing and payments arrangements, and a list of major subregional, regional and interregional groupings with their membership updated to December 1993.) The policy implications issuing from the recent developments reviewed in this report are discussed in another report entitled "Strengthening subregional and regional integration and fostering interregional cooperation, as well as promotion and expansion of trade among developing countries" (TD/B/CN.3/8), which was also prepared for the second session of the Standing Committee.

2. Chapter I of the present report reviews developments in South-South trade and monetary and financial cooperation. In respect of South-South trade policies, developing countries continued to open up their economies with a view to fostering their integration into world markets. In parallel, South-South trade continued to grow in the early 1990s. This growth is reflected in intraregional trade among developing countries, including trade within subregional integration groupings. In respect of monetary and financial cooperation, some multilateral clearing and payments arrangements have registered a satisfactory performance in recent years, with an increase in transactions channelled and cleared. However, the bulk of such transactions is concentrated in two arrangements. Other developments concern the emergence of regional capital markets which arguably offers a solution to problems associated with nascent and emerging national capital markets; and regional trade financing facilities which offer essential services to member States, although the totality of credits offered covers a very small share of South-South trade.

3. Chapter II of the report surveys major developments that occurred between 1992 and 1994 in subregional and regional economic integration and cooperation within Africa, Asia and the Pacific, and Latin America and the Caribbean. Developments in respect of interregional and regional cooperation involving developing and developed countries are also examined. The review shows that the revival of expectations in subregional and regional integration and interregional cooperation has gained added impetus with the formation of several new groupings and the development and implementation by existing grouping of fresh approaches and modalities to widen, deepen and accelerate cooperation and integration.

4. Chapter III sets forth the ECDC-related advisory support and technical assistance provided by the UNCTAD secretariat between 1992 and 1993, in cooperation and partnership with other United Nations bodies. These activities were directed towards responding to the demands of integration groupings, improving payments and clearing arrangements, encouraging trading enterprises and other economic agents and strengthening the Global System of Trade Preferences among Developing Countries.

Chapter I
SOUTH-SOUTH TRADE AND MONETARY AND FINANCIAL COOPERATION

A. South-South trade

5. Trade policy developments in developing countries continued to favour liberalization and further opening up of economies, often within the wider framework of structural adjustment programmes. The process is generating some degree of convergence in policies among developing countries and the lowering of commercial barriers to trade. In parallel, South-South trade has been rising, with trade in manufactured goods becoming increasingly important. The growth in trade, however, is accounted for largely by the dynamic economies of south and south-east Asia. Some measures to promote of South-South trade have been taken, such as the exchange of trade preferences, the holding of trade fairs, cooperation between business operators and cooperation among central banks. Despite these measures and the continuous growth since 1986, South-South trade remains small relative to global trade. This is due in large measure to various obstacles rather than weak trading relations among developing countries. In order for the expansion of South-South trade to be further consolidated and accelerated, the impediments to South-South trade need to be eliminated through deliberate policy actions to remove tariff and non-tariff barriers, diversify and strengthen production capacities and complementarities and improve such trade-supporting structures as physical infrastructure links, trade information and financing.

1. Trade policies

6. Trade policy in developing countries in the early 1990s continued to follow the process of liberalization which started in the mid-1980s, together with other outward-oriented and structural adjustment policies (devaluation of currencies, facilitation of foreign direct investment, deregulation of industries). Many countries took further steps to open up their economies and to foster their integration into the world markets. Many further reduced their tariff rates or simplified or bound most of their tariffs, often in the context of wide-ranging economic reforms. Considerable import liberalization measures in the non-tariff areas have also been implemented in a number of countries.[3] These changes, together with the formation of regional blocks among or involving developed countries, has led developing countries to revive regional and subregional cooperation and integration among themselves (as will be demonstrated in chapter II).

7. In parallel with the implementation of liberalization measures, some initiatives to increase interregional trade flows among developing countries were launched. For example, the first Afro-Arab trade fair was held at Tunis (Tunisia) in October 1993 under the auspices of the Organization of African Unity, the League of Arab States and the Government of Tunisia.[4] The second fair will be organized in South Africa. Another initiative is the conference of governors and senior officials of central banks, which was first held in 1990 as part of a programme of cooperation between economic operators from Africa and Latin America. The second conference was organized by UNCTAD, in collaboration with Promociones Exteriores Canarias (PROEXCA) and the Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife, in

March 1994 at Santa Cruz de Tenerife, Canary Islands (Spain). The conference considered, *inter alia*, the role of central banks in fostering trade expansion and economic cooperation between Africa and Latin America.[5] The other significant development was the inception of the second round of negotiation under the GSTP (see paragraph 56).

8. The promotion of South-South trade through enterprise cooperation is starting to gain the attention it deserves from governments and the economic actors involved. In addition to the activities mentioned in the preceding paragraph, the second meeting of the Executive Committee of the Association of African Trading Enterprises (ASATRADE) — which was created in December 1991 — took place in April 1992. The Committee approved a series of activities aimed at promoting ASATRADE in African countries, particularly through, the formation of a network of ASATRADE representatives in each African country, the creation of subregional committees of trading enterprises, and the organization of commercial missions (see also paragraph 70).

9. A meeting of enterprises of Asian and Latin American countries of the Pacific Basin in November 1992 at Santiago (Chile) established a coordination committee with the mandate to produce a programme of action and to establish contacts with cooperation organizations in the Pacific Basin with the aim of preparing technical assistance programmes. One of the activities planned for this purpose is the organization of a meeting of aviation and maritime enterprises of the Pacific Basin on the occasion of the annual Hong Kong transport fair. In another development, a Pacific Basin ministerial-level meeting with the participation of officials responsible for the enterprise sectors is to be organized during the course of 1994 to discuss various issues, including the formation of a permanent forum for cooperation among the developing countries of the Pacific Basin.

2. Trade flows

10. The expansion of South-South trade, which started in 1986, continued up to 1992. Following a doubling in the absolute value of South-South trade between 1986 and 1991, there was a further expansion to US$ 259 billion in 1992 (see table 1 in the addendum to this report). In relative terms, however, South-South trade accounted for only 6.3 per cent of total world trade in 1991; the figure increased to 7.0 per cent in 1992. This low proportion does not necessarily imply that South-South trade relations are weak. It may be that the volume of trade is small and underdeveloped owing to the smallness of the economies of most developing countries.[6] In addition, South-South trade is inhibited by various obstacles that include customs duties, which are relatively high when compared with developed country tariff levels (although, as mentioned in paragraph 6, such duties have decreased greatly owing to trade liberalization policies), non-tariff barriers and such disincentives as non-diversity of exportable products, lack of good transport links, higher than average insurance costs, lack of marketing and distribution skills and financial impediments. Most of these factors hamper developing countries' exports to both developed and developing countries, but tend to be particularly important in the latter case.[7]

11. The growth in South-South trade is maintained by an expansion in trade of all developing regions. However, the growth is by far the strongest for south and south-east Asian countries' trade, with the result that the region is heavily involved in South-South trade flows. South and

south-east Asia's total exports to developing countries between 1986 and 1992 increased by about 225 per cent to reach US$ 165.7 billion or 63.9 per cent of total South-South exports (see table 1 in the addendum to this report). Likewise, the region's imports from developing countries increased by about 188 per cent to US$ 156.6 billion in 1992 or 60.4 per cent of South-South imports. During the same period, the total exports of Africa to developing countries rose by over 30 per cent and the region's total imports from developing countries rose by over 58 per cent. As for Latin America and the Caribbean for the same period, the region's total exports to developing countries rose by over 87 per cent, and the region's total imports from developing countries rose by about 73 per cent.

12. The product structure of South-South trade has changed significantly with the share of commodities declining from over two thirds of trade flows in the 1970s and 1980s to about two fifths of trade flows in 1990. Conversely, manufactured goods accounted for more than 56 per cent of developing countries' exports to other developing countries in 1990 — a 110 per cent increase from 1980 — and it further increased to 59 per cent in 1992 (see table 2 in the addendum to this report). Among the products which feature prominently in such South-South trade are semi-manufactured products (leather, knitted fabrics), resource-based manufactured products and a number of capital- and skill- intensive products (office machines, automatic data processing equipment, television receivers, sound recorders, musical and optical equipment).

13. Trade within subregional integration groupings, which is a part of intraregional trade, generally ceased to decline after 1986 and, in some cases, it subsequently showed a modest improvement up to 1992 (see table 3 in the addendum to the report). However, as with overall South-South trade, the share of intra-grouping trade in the total exports of the group remains low for the majority of the groupings. In 1992 the ratio ranged from 0 to 5 per cent for eight groupings (Bangkok Agreement, CEPGL, ECCAS, ECO, MRU, SADC, UDEAC, UMA), and 6 to 9 per cent for seven groupings (Andean Group, CARICOM, ECOWAS, GCC, OECS, PTA, SAARC). These figures do not necessarily mean that trade relations are weak. In fact, for most groupings, the countries in the same group tend to trade with each other much more than with the world on average.[8] The potential for increased trade within groupings could be seen in the five groupings (ALADI, ASEAN, CACM, CEAO, MERCOSUR) which have high ratios of intra-group trade to total group exports that ranged between 10 and 20 per cent in 1992.

B. Monetary and financial cooperation

14. The main instruments of monetary and financial cooperation used by developing countries are the multilateral clearing and payments facilities. The importance of these facilities has been confirmed by the eighth meeting of the coordination committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries (see box below). In recent years, these arrangements have performed satisfactorily with an increase in intra-group trade and in transactions channelled through them. However, the bulk of both intra-group trade and total transactions channelled is concentrated in two facilities, namely, the Asian Clearing Union which in 1991 accounted for 11 per cent of aggregate intra-group trade and 13 per cent of aggregate transactions channelled, and the ALADI Reciprocal Payments and Credit Arrangement with 76 per cent and 84 per cent respectively (see table 4 in the addendum to this report). The other

facilities account for very modest volumes of trade and clearing. These facilities have therefore focused their attention in recent years on the introduction of new instruments to increase participation in the clearing facility.

Eighth meeting of the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries

Established in 1978, the Coordination Committee aims at the exchange of experience, harmonization of strategies, and formulation of individual and joint projects for expanding and improving activities of its members, which consist of all clearing and payments arrangements, monetary funds, trade financing institutions and other bodies of financial cooperation among developing countries. The central banks of developing countries enjoy an observer status. The previous meetings of the Committee were held at Buenos Aires (1978), Dakar (1979), Abu Dhabi (1980), Bridgetown (1981), Las Palmas (1985), Montevideo (1988) and Las Palmas (1990). UNCTAD acts as the technical secretariat for the Coordination Committee.

The eighth meeting of the Coordination Committee was held at Santa Cruz de Tenerife, Canary Islands (Spain) from 28 February to 1 March 1994. The meeting was organized by UNCTAD in collaboration with Promociones Exteriores Canarias (PROEXCA) and the Official Chambers of Commerce, Industry and Shipping of Santa Cruz de Tenerife. It was attended by 31 participants including representatives of multilateral payments and clearing arrangements, international financial institutions, central banks and observers. The Coordination Committee discussed various issues, including a review of the performance of clearing and payments arrangements from which the following conclusions were reached: participation in payments arrangements afforded advantages including deferred payments, credit access and enhancement of monetary cooperation among participants; external factors significantly affect the operations of these facilities; there are differences in scope among the various facilities; the problem of a single country accumulating arrears within the facility requires fast solution; underlying trade flows are important; trade financing is important for expanding underlying trade flows; the problem of differing degrees of convertibility within the same facility may be handled by adopting limited convertibility; and payments facilities afford the optimum midway stage in the process of integration into the world economy and the global convertibility of currencies (see *"Report of the eighth meeting of the Coordination Committee on Multilateral Payments Arrangements and Monetary Cooperation among Developing Countries"* (UNCTAD/ECDC/245).

15. In addition to clearing and payments arrangements, developing countries have established a limited number of multilateral trade financing and export-credit guarantee facilities. These facilities, operating in Africa, Asia and Latin America and the Caribbean, continue to provide some of the trade financing requirements of their member States. Furthermore, the mobilization of financial resources through the promotion of capital market integration is growing. Recent efforts show that regional cooperation offers a way of solving many of the problems associated with both nascent and emerging national capital markets.

1. Clearing and payments arrangements[9]

16. In the Asian Clearing Union (ACU) intra-group trade expansion between 1987 and 1992 was accompanied by a tripling of the volume of transactions channelled through the clearing system, with the result that around 80 per cent of intra-group imports was routed through ACU in 1991

(the figure declined slightly to 78 per cent in 1992). The share of net settlement in foreign exchange was generally low; it fluctuated between 23 and 39 per cent in the period from 1986 to 1992. In respect of the ACU currency swap arrangement — established in late 1989 — total drawings against the facility amounted to 170 million Asian Monetary Units by the end of 1992. The most active users of the facility were India and Bangladesh, followed by Pakistan.

17. Like ACU, intra-group trade expansion in the ALADI clearing facility between 1986 and 1992 was accompanied by an expansion in the volume of transaction. Nevertheless, the ratio of intra-group imports routed through the facility, which amounted to 81 per cent in 1990, declined to 69 per cent in 1992. The volume of balances settled in foreign exchange fluctuated between 25 and 35 per cent after 1989. A number of modifications were introduced into the facility with a view to improving its operations. In 1992, for example, member States were authorized to channel payments originating in triangular trade as a means of enlarging the scope of eligible transactions.

18. The other two facilities in the same region continued to face difficulties. The Central American Clearing House (CACH) was resuscitated as the Central American Payments System in 1990 with the support of the European Community. However, operations were suspended in July 1992 because of the unsatisfactory levels of transactions channelled, owing to ongoing liberalization of exchange rate systems in member States, which made the use of the clearing facility unattractive. In the Caribbean Community clearing facility which, as a result of accumulation of arrears, suspended activities in 1983 after six years of operation, there has been no solution to the intra-group debt that amounted to around US$ 100 million. The facility remains non-operational and member countries use instead a system of bilateral agreements established in 1987.

19. Three of the clearing and payments arrangements are located in Africa. In the PTA Clearing House (PTACH), following a steady expansion up until 1989, the volume of channelled transactions decreased from US$ 263 million in 1990 to US$ 192 million indicating that the facility is being underutilized. PTACH, like ACU and the ALADI facility, had a low share of net settlements in foreign exchange of 31 per cent in 1992, which stands in comparison to a ratio of 55 per cent in 1987. Following the successful introduction of the UAPTA traveller's cheques in August 1988, most PTA member States joined the scheme and the cheques have been permanently in use. In the first four years of operation, sales of the cheques amounted to UAPTAs 38.4 million (about US$ 52 million) while their purchases totalled UAPTAs 34.7 million (about US$ 47 million).[10] In 1993 member States approved the establishment of a PTACH reserve fund to provide short-term loans to countries which experience difficulties in settling their clearing balances. The initial capital of the fund will be UAPTAs 100 million, of which one half will be provided by member States and the other half is to be mobilized from external sources.

20. Within the other two African facilities, namely, the West African Clearing House (WACH) and the Clearing House of the Economic Community of Central African States (CHCAS), transactions are at low levels despite revitalization efforts. In WACH, the trend of transactions channelled was downwards. In CHCAS, the corresponding figure never exceeded the level of US$ 2 million. The share of intra-group imports directed through WACH has

fluctuated below 5 per cent since 1987, and at CHCAS it remained at the insignificant level of one per cent. In respect of the ratio of net settlements in foreign exchange, it fell in WACH owing to the decline in transactions channelled; while in CHCAS almost all transactions were settled in hard currency. WACH is also confronted with a large accumulation of outstanding debts amongst member countries so that creditor countries have not authorized further exports to be channelled through the facility. On a positive note, WACH is to be transformed into an autonomous, specialized agency of ECOWAS, according to an agreement of the 1992 ECOWAS Authority meeting reached on the basis of recommendations by the governors of central banks. The required protocol for creation of the new organ, the West African Monetary Agency (WAMA), has been adopted by the governors of central banks. WAMA, while continuing to perform the functions of the clearing house, will also: encourage trade expansion and liberalization; facilitate conformity of monetary and fiscal policies and structural adjustment programmes of members; foster pursuit by members of appropriate macroeconomic policies conducive to market-determined exchange and interest rates for intra-subregional trade; initiate and promote policies and programmes on monetary integration; and facilitate the creation of a single monetary zone.

2. Trade financing

21. Subregional and regional trade financing facilities are offered by a number of institutions which include: in Latin America, the Inter-American Development Bank (IDB), the Latin American Export Bank (BLADEX), the Andean Trade Financing System (SAFICO) and the Mechanism for Confirmation and Financing of Letters of Credit and Imports (MECOFIN) of the Andean Development Corporation (CAF), the Latin American Reserve Fund (LARF) and the Central American Bank for Economic Integration (BCIE); in Africa, the African Export-Import Bank (AFREXIMBANK),[11] the ECOBANK which operates in the ECOWAS subregion, and the PTA Trade and Development Bank (PTA Bank); in Asia, the Islamic Development Bank (IsDB), the Arab Trade Financing Programme (ATFP) and the Inter-Arab Investment Guarantee Corporation (IAIGC). The salient feature of these financing facilities is their basic objective of supplying export finance and refinancing to help overcome the domestic financial shortages of member States. The bulk of the credit they offer comes from their own resources. All facilities give priority to financing non-traditional exports by short- and medium-term credits. Several of these facilities have introduced new instruments. For example, the Latin American Reserve Fund established in May 1992 a short-term facility which can be used by commercial banks for export financing in member States.

22. According to estimates of global trade-financing as of 1989,[12] the overall credits extended by existing regional trade financing schemes of developing countries combined amounted to US$ 1.55 billion or the equivalent of 2.8 per cent of South-South trade. As regards individual schemes: between 1989 and 1992, the disbursements of the PTA Bank amounted to a total of US$ 58.4 million, comprising pre- and post-shipment loans (US$ 41.7 million), syndication participation (US$ 4 million) and letters of credit confirmation (US$ 12.7 million); the IsDB, *inter alia*, offered traditional short-term financing for basic imports (such as oil and fertilizers) of about US$ 800 million per year; BLADEX provided export financing of over US$ 13.7 billion during the period 1979 to 1989; CAF in 1992 committed loans of US$ 1.8 billion, distributed in project loans, trade financing through its autonomous agencies (SAFICO, MECOFIN), and

technical cooperation activities; BCIE's lending operations amounted to US$ 1,731 million during the period 1961 to 1992; LARF's short-term credit facility financed US$ 285.8 million of exports in the first half of 1993; IDB, between 1960 and 1992, approved 43 export financing loans of a cumulative total portfolio of US$ 1.6 billion; and ATFP, during the period January 1991 to mid-February 1993, received applications for refinancing totalling US$ 279 million but approved only US$ 169 million.

3. Capital markets

23. In respect of emerging regional capital markets, there have been several developments which indicate that regional cooperation offers a way to solving many of the problems associated with both nascent and emerging national capital markets. The regional scale may provide the necessary market size for viability both in costs and volume; it may also strengthen the developing country's capacity to resist the adverse effects of changes in international capital markets; and it may help in the mobilization of resources in countries and within social groups where such is not otherwise possible. Thus, in the African region, a proposal for fostering regional capital markets in ECOWAS is under discussion in the framework of the ECOWAS monetary cooperation programme; and the African Capital Markets Forum has presented a proposal to establish formal capital markets, accelerate the development of existing markets, promote cooperation and provide a forum for the exchange of ideas among African capital markets institutions.

24. In Latin America and the Caribbean, developments include the following: (i) in the Andean Group, there is an ongoing research project aimed at formulating proposals for the integration of capital markets in the subregion as a mechanism for strengthening the process of savings-investment and economic growth; (ii) the Caribbean Stock Exchange — a cooperation mechanism among the existing stock exchanges of CARICOM — started operations in 1991, allowing cross-border trading through correspondent broker relationships and potential cross-border listing; (iii) members of the Ibero-American Stock Exchange Federation created in 1990 the Ibero-American Electronic Stock Exchange, with the final aim of electronically processing trading in major regional enterprises; (iv) the Association of Central American Stock Exchanges projects the creation of Central American Depository Receipts and the harmonization of listing requirements; and (v) there is a continued dialogue among supervisory authorities of the Andean Group, sponsored by the Latin American Reserve Fund, on possible ways of harmonizing their capital markets with a view to increasing cross-border capital flows among member countries.

25. Furthermore the Union of Arab Stock Exchanges, the East Asian and Oceanian Stock Exchanges Federation and the African Stock Exchanges Association — established in April 1993 — continued their efforts to promote harmonization and cooperation in securities trading in their respective regions.[13]

Chapter II
SUBREGIONAL, REGIONAL AND INTERREGIONAL ECONOMIC INTEGRATION AND COOPERATION

26. The desire to ensure more effective and speedy progress towards the realization of integrated and functional subregional and regional communities remained high on the agenda of developing countries and their groupings, as manifested in the adoption of new treaties to create new economic groupings; the revision of existing treaties to introduce new elements and modalities which update and deepen the integration process as well as render it more flexible; and the enlargement of membership of economic groupings to cover wider geographical areas. The expansion of trade through the strengthening of some form of customs union arrangement — in addition to trade promotion measures — constitutes the basic thrust of many of these initiatives. Simultaneously the scope of cooperation is being widened to build the necessary and conducive conditions within which cooperation and integration can prosper. Adjustments in this direction have involved increasing popular participation; promoting peaceful inter-State relations and enhancing regional security and stability; increasing participation of enterprises and cooperation among them and their associations; expanding cooperation with major external partners, including in some instances through the formation of preferential trading agreements; and restructuring the policy organs and executive secretariats of groupings. Some initiatives at the interregional level have been launched and the formation of mixed groupings involving both developed and developing countries has gained in prominence with the formation of NAFTA and APEC.[14]

A. Subregional and regional developments

1. Africa

27. The efforts of the countries members of the Organization of African Unity (OAU) to create a continental economic community culminated in the signing of the Abuja Treaty establishing the African Economic Community (AEC) in June 1991 by the OAU Assembly of Heads of State and Government. The process gained momentum with the entry into force on 12 May 1994 of the Abuja Treaty. Intra-African trade promotion is an important objective of AEC and the Abuja Treaty provides for this by stipulating the formation of a continental customs union comprising of a free trade area and a common external tariff. In 1992 intra-African trade accounted for only 6.9 per cent of its total trade, a figure which stands in sharp contrast to Latin America and the Caribbean with 19.5 per cent and Asia with 23.1 per cent.[15]

28. The Arab Maghreb Union (UMA) meeting of Heads of State in April 1994 noted that several agreements had been adopted since the last summit and a dozen projects designed, including a regional highway, a high-speed train and fibre optic cable to strengthen links between member States, several projects to further consolidate UMA customs cooperation, and a study on a compensation scheme. Although UMA member States adopted a preferential trading scheme in 1990/1991 to promote and strengthen trade among them, the scheme has not yet been implemented. Meanwhile, recorded intra-UMA trade remains very low, accounting for about 2 per cent of total UMA exports in 1992. In respect of external cooperation UMA and the European Union have been holding discussions on closer mutual economic cooperation.

29. Despite setbacks occasioned by the civil strife in Liberia with spillover effects in neighbouring countries, the Mano River Union (MRU) Ministerial Council meeting in July 1993 directed the secretariat to seek technical assistance for the establishment and strengthening of economic integration structures within the national administrations of member States. The Council also decided to expand the scope of MRU cooperation to include political, security, foreign affairs and defence matters. The MRU secretariat, for its part, intends to convene a workshop in 1994 on the determination of modalities and strategies for post-war reconstruction and rehabilitation in war-affected areas of the subregion. In view of the difficulties confronting MRU, the aim of expanding intra-Union trade has not been met. Such trade at present is less than one per cent of total Union exports.

30. In July 1993, the Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS) signed the revised ECOWAS Treaty. Designed to bring new dynamism to West African integration, the revised Treaty confers upon the ECOWAS Authority full power to take decisions which would be binding on Community institutions as well as member States; makes provisions for the establishment of an ECOWAS parliament and an economic and social council, the establishment of eight specialized technical commissions to replace the six existing ones, for political cooperation and regional security, and for the enactment of a Community levy to generate financial resources for the Community (the levy will be a percentage of the total value of import duty derivable from goods imported from third countries), and provides that ECOWAS shall be the sole economic community in West Africa and serve as the focal point for all intraregional integration activities. In the context of institutional rationalization, a particularly important development was the abolition of the West African Economic Community (CEAO), pursuant to a decision of the summit of Heads of State of the seven member States (Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritania, Niger, Senegal) in early 1994.[16] The revised ECOWAS Treaty also provides for the establishment of a customs union within 10 years from 1 January 1990, followed by the creation of an economic and monetary union in the subsequent five years. This programme is expected to promote and expand intra-ECOWAS trade, which in 1992 represented about 7.8 per cent of total ECOWAS exports.

31. The Economic Community of Central African States (ECCAS) since 1992 has been constrained by a serious financial crisis owing to non-payment of contributions by some member States. The problem is illustrated by the fact that the personnel of the Libreville-based ECCAS secretariat went on occasional strikes because salaries had not been paid. Regarding preferential trade among member States, an agreement was reached in 1989 on the free circulation of goods among member States in order to strengthen such trade, which at present accounts for about 2 per cent of the Community's total exports. However, at the end of 1993, the preferential scheme had not yet taken effect for industrial goods.

32. After a major restructuring operation, the member States of the Central African Customs and Economic Union (UDEAC) signed a treaty in March 1994 on the creation of an Economic and Monetary Community of Central Africa (CEMAC). CEMAC will comprise an Economic Union of Central Africa that will be built upon the achievements of UDEAC, a Monetary Union of Central Africa, a Community Parliament, and a Community Court of Justice. The French Development Fund (CCFD) has provided financial assistance to UDEAC to implement this

reform. The Bangui-based UDEAC secretariat is being transformed into the executive secretariat of CEMAC to monitor and facilitate member States' implementation of the reforms and commitments assumed under CEMAC. Intra-group trade expansion is a major objective of UDEAC which will be continued within the new community. In this regard, intra-UDEAC trade, which averaged around 4 per cent of the group's total exports in 1990 and 1991, declined to around 2.1 per cent in 1992.

33. In the Economic Community of the Great Lakes Countries (CEPGL), the civil strife in Rwanda has crippled the Gisenyi-based CEPGL secretariat and curtailed implementation of cooperation activities such as the planned establishment of a customs union beginning with the elimination of tariffs on 1 January 1995. Recorded trade among the Community members has tended to constitute less than one per cent of total Community exports.

34. A new grouping, the East African Community (EAC), was created on 30 November 1993 with the signature of a treaty by the Heads of State of Kenya, the United Republic of Tanzania and Uganda.[17] The treaty provides for the following: (i) the establishment of a tripartite commission that will be responsible for the promotion of cooperation in various fields, including political, economic, social, cultural and security matters; (ii) the tripartite commission will be headed by ministers responsible for regional cooperation and other sectoral ministers, and will have a secretariat (whose headquarters, funding and staffing are to be decided upon) to provide technical and administrative support; (iii) the immediate abolition of travel restrictions and the elimination of non-tariff barriers between the three countries; and (iv) sector cooperation in aviation, meteorology, agriculture, fisheries, animal husbandry, energy, tourism, wildlife and environmental protection, health, education, science and technology, legal and judicial issues, information exchange, training and cooperation in security operations. The tripartite commission is also directed to resolve outstanding issues of the former community of the same name, including its assets and liabilities and strengthening surviving institutions.

35. Provision was made in the treaty establishing the Preferential Trade Area for Eastern and Southern Africa States (PTA) that, 10 years following its entry into force (September 1982), measures should be taken to transform PTA into a common market. To this end in November 1993, the Treaty establishing the Common Market for Eastern and Southern Africa (COMESA) was signed by 16 member States on the occasion of the PTA Authority of Heads of State and Government meeting. The COMESA Treaty will come into force upon ratification by 11 member States, after which PTA will cease to exits as an institution. The PTA Authority also agreed to admit Eritrea, Madagascar and Seychelles into PTA, bringing the membership to 22 countries, and decided that the organization should concentrate in the coming years on critical sectors likely to make an impact on growth, development and trade. These include greater industrialization, expansion of intra-PTA trade, development of cheaper, reliable and more efficient transport and communication infrastructures, and the development of agriculture for food security and self-sufficiency. PTA aims to increase trade within the Area from the present level of about 6 per cent of total PTA exports to over 25 per cent by the year 2000 and to a higher level thereafter.

36. The signing in August 1992 of the treaty creating the Southern African Development Community (SADC) marked an important step for southern African States in forging ahead from regional cooperation — as pursued under its predecessor, the Southern African Development

Coordination Conference (SADCC) — to regional integration. The treaty entered into force on 5 October 1993. SADC will build upon the foundations laid by SADCC while emphasizing the involvement of the people and the real commitment by Governments in the community building process. To sensitize the people of the region, seminars and workshops at national and regional levels have been conducted. In 1993, five regional workshops were held covering an omnibus workshop, free movement of persons, resource mobilization, customs and trade facilitation and productive sectors. Arising from these consultative workshops, work on the elaboration of protocols was started, including one on trade. In respect of trade, SADC countries' trade with each other accounted for about 4.4 per cent of their total exports in 1992. During 1994/1995 SADC will hold five sectoral workshops. Two national seminars were held in early 1994 and eight more are scheduled for the remaining part of 1994/1995. The people-centred approach was affirmed at the 1994 SADC Annual Consultative Conference,[18] which also emphasized the harmonization of macroeconomic policies; the need to resolve issues of inequality, imbalances and dependence between the weak and strong members of SADC; and the need for a restructuring and strengthening of SADC institutions. Finally, South Africa joined SADC as its 11th member during the 1994 SADC summit.

37. In 1992 the member States of the Indian Ocean Commission (IOC) adopted an Integrated Regional Programme for the Development of Trade (PRIDE) whose objectives are to develop trade of member States with the involvement of the economic operators, ensure development of efficient production structures, promote the standardization of products and facilitate the assimilation of trade information, and eliminate tariff and non-tariff barriers to trade among IOC member States with a view to establishing a free trade area. The PRIDE programme was partially implemented by the end of 1993.

38. In respect of cooperation groupings such as the Permanent Inter-State Committee for Drought Control in the Sahel, the Council of the Entente, the Intergovernmental Authority on Drought and Development, the Organization for the Management and Development of the Kagera River Basin, the Lake Chad Basin Commission, the Liptako-Gourma Integrated Development Authority, the Niger Basin Authority, the Gambia River Basin Development Organization, and the Senegal River Development Organization, continuing financial problems arising from the non-payment of assessed contributions by some member States has led many of them to restructure their secretariats, reduce staff and to focus attention on mobilizing international technical and financial support for their subregional development programmes and projects.

2. Asia and the Pacific

39. In May 1992 the trade ministers of countries members of the Cooperation Council for the Arab States of the Gulf (GCC) announced the goal of creating a common market by the year 2000. In September the ministers reached agreement on the application of a unified system of tariffs to be installed by March 1993. Meanwhile trade among GCC countries has, since 1990, stabilized at around 8 per cent of total GCC exports. In respect of external cooperation, GCC and the European Union have been holding discussions on the establishment of a free trade area in selected products.

40. With the aim of reactivating cooperation under the Economic Cooperation Organization (ECO), the member States — which now include the newly independent central Asian republics — adopted the Quetta Plan of Action and the Istanbul Declaration on Long-Term Perspectives for the ECO, which provide the umbrella for activities in the ECO region for the forthcoming decade. The Quetta Plan of Action, in particular, contains guidelines and targets to be achieved by or before the year 2000 in the fields of transport and communications, trade, energy, industry, agriculture, tourism, human resource development and provides for the establishment of an ECO Special Fund for Feasibility Studies, with a subscribed contribution of US$ 300,000. Regarding trade, the share of intra-ECO trade in the group's total exports declined to about 3 per cent in the early 1990s in comparison to a share of around 10 per cent in 1985.

41. In conformity with the decision of the 1991 meeting of Heads of State and Government of the South Asian Association for Regional Cooperation (SAARC), a SAARC Preferential Trading Arrangement (SAPTA) was adopted by the April 1993 summit. Member States were urged to complete all formalities to render the SAPTA operational, including the finalization of schedules of concessions and the process of ratification before December 1995; and to start immediately the process of negotiating the exchange of trade concessions with a view to completing it by December 1993. An intergovernmental group on trade liberalization has been set up to negotiate the exchange of trade concessions. The first round of trade negotiations has already started and member States are presently exchanging request/offer lists for trade concessions. SAPTA will include trade liberalization arrangements relating to tariffs, para-tariffs, non-tariff and direct trade measures. Meanwhile, trade among SAARC countries presently accounts for between 8 and 9 per cent of total SAARC exports.

42. The enlargement of membership is a major priority of the Bangkok Agreement. Therefore the completion in December 1993 of procedures for the accession of Papua New Guinea to the Agreement, and the announcement by China in April 1994 of its accession constituted significant developments. The Agreement's objective is to expand trade and investment flows among member States; in this respect, intra-group trade has tended to fluctuate between 1.7 and 2.5 per of the group's aggregate exports since 1985.[19]

43. Pursuant to the decision of the January 1992 meeting of Heads of Government of the Association of South-East Asian Nations (ASEAN) on the establishment of an ASEAN Free Trade Area (AFTA), the AFTA Ministerial Council in December 1992 finalized the details of the common effective preferential tariff (CEPT) scheme — the mechanism for the realization of AFTA — which was then officially launched on 1 January 1993 as scheduled. The aim of this programme is to expand intra-ASEAN trade, which in 1992 accounted for about 19.4 per cent of total ASEAN exports. Quantitative restrictions and other non-tariff restrictions are also to be addressed and ASEAN member States have been exchanging lists of such restrictions. Other important developments included: the restructuring of the ASEAN machinery for economic cooperation through the abolition of the five ASEAN economic committees and the institutionalization of the Senior Economic Officials Meeting as the mechanism to oversee all aspects of economic cooperation; the completion of the restructuring of the ASEAN secretariat, with the restructured secretariat becoming operational in January 1993; continued cooperation with dialogue partners;[20] and the formation in 1994 of the ASEAN Regional Forum to promote regional security.[21] The process of regional integration is being further strengthened in east Asia

with the promotion of growth triangles to foster intraregional investment and production for exports to the region and elsewhere. One example is the Southern Triangle involving Singapore, the Malaysian State of Johore and the Riau Islands of Indonesia.

44. The Melanesian Spearhead Group (MSG), composed of Papua New Guinea, the Solomon Islands and Vanuatu, is emerging as the first "integration" grouping involving developing countries of the South Pacific. Following years of negotiation, signing and finally ratification, the MSG Trade Agreement enters into force on 1 September 1994. Under the agreement, trade among the three countries is conducted free of customs duties in respect of tuna from the Solomon Islands, tea from Papua New Guinea, and beef from Vanuatu. In this connection also, the 1994 meeting of Heads of State agreed to broaden the scope of tradable products included in the free trade agreement. The same meeting, in addition to discussing political issues affecting regional stability, agreed to expand the scope of cooperation into new areas, in particular: to collaborate closely in developing a single regional framework of law and practices to regulate their forestry industry, which is a major source of foreign exchange for the three countries; to waive visa restrictions for all categories of visitors from the three countries; to examine, through a study, the possibility of merging the individual national airlines, which have not been profitable in recent years; and to examine options for the holding of an annual Melanesian Arts Festival to promote cultural cooperation and awareness among member States as well as tourism.

3. Latin America and the Caribbean[22]

45. A new grouping was launched in July 1994 with the signing of the treaty creating the Association of Caribbean States (ACS) encompassing countries and territories washed by the Caribbean Sea. ACS comprises of 25 member States, namely, Antigua and Barbuda, Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Venezuela; and several dependent territories (as associate members), namely, Anguilla, Bermuda, Cayman Islands, Turks and Caicos Islands, British Virgin Islands, Montserrat, Guadeloupe, French Guiana, Martinique, Aruba and the Netherlands Antilles. Developed countries with dependent territories in the region (France, Netherlands) can participate as associate members responsible for the territories. The main objectives of ACS are to further economic integration, develop the potential of the Caribbean Sea and strengthen functional cooperation in political, cultural, scientific, social and technological areas.

46. The Latin American Economic System (SELA) Council in June 1994 discussed economic relations between Latin America, the Caribbean and the United States and adopted a declaration which, *inter alia*, called for the termination of all embargoes in the region and reaffirmed the principle of free trade. El Salvador will host the 1995 Council meeting.

47. The member States of the Latin American Integration Association (ALADI) have been considering a proposal advanced in early 1994 for the creation of a South American free trade zone through the gradual elimination of tariffs over 10 years. In respect of trade among ALADI countries, its share of total ALADI exports was about 10.9 per cent in 1990 and rose to about 16.7 per cent in 1992. ALADI agreements permit member States to devise subregional

preferential trade agreements which are consistent with the regional framework. Thus many new free trade agreements have been concluded, for example: (i) Colombia and Chile negotiated and agreed to a free trade scheme which takes effect in 1994 and aims to liberalize bilateral trade by 1 January 1999; (ii) the Group of Three, created in 1991 by Colombia, Mexico and Venezuela, signed an agreement in June 1994 on the creation of a free trade area through the removal of tariffs on the bulk of their intraregional trade by 10 per cent per year over 10 years. Agricultural products and vehicles which are considered sensitive would have special treatment and tariffs on them will be reduced over a longer period (13 years). The agreement is expected to come into effect in 1995.

48. The Central American Integration System (SICA) was created in 1991 to become the principal umbrella agency for integration in Central America. SICA's secretariat, which has its headquarters in El Salvador, started operations in February 1993. Since then, the secretariat has been participating in the activities of the system and promoting the establishment and functioning of the social subsystem and linkages between this subsystem and the other subsystems (cultural and economic).

49. SICA's economic subsystem is the Central American Common Market (CACM). On 1 April 1993 four of the five member States of CACM (El Salvador, Guatemala, Honduras, Nicaragua) signed an agreement on the Central American Free Trade Zone (Zona de Libre Comercio de Centroamérica), along with three basic agreements on, respectively, the central American tariff, rules on unfair practices and rules of origin. The initiative is aimed at reactivating intraregional trade liberalization and expansion. Intra-CACM trade in 1992 accounted for 13.6 per cent of the group's total exports, which was the lowest ratio attained since 1980. In addition, a protocol to the treaty establishing CACM was signed in October 1993 by the Presidents of the five member States with the President of Panama to review the original treaty and adapt it to present situation. Panama's participation followed after the Central American Presidents and their Panamanian counterpart signed a joint declaration stating their intention to make Panama a full member of CACM. Additionally, the Northern Trade Triangle (Triángulo del Norte) was established in May 1992 with the signature by the Presidents of Honduras, El Salvador and Guatemala of the declaration of Nueva Ocotepeque providing for the formation of a free trade area to be operational as of 1 January 1993. It subsequently became the Central American Group of Four (Grupo América Central 4) with the admission into the group of Nicaragua during a meeting of presidents in April 1993.

50. Pursuant to the Barahona Act signed in December 1992 at a meeting of presidents of the Andean Group and subsequent decisions of the Commission of the Cartagena Agreement, a free trade area came into effect on 1 October 1992 between Bolivia, Colombia, Ecuador and Venezuela. Trade between these countries has since been conducted without any restrictions or charges and, in 1992, it accounted for about 6.2 per cent of the Group's total exports. (Peru's participation in this measure is foreseen although it remains to be effected). In addition, a common external tariff was adopted in March 1993.[23]

51. The member States of the Southern Cone Common Market (MERCOSUR), in line with an agreed six-monthly adjusted tariff-cutting programme, initiated four tariff cutting operations over the period 1992 to 1993, which resulted in a total reduction of customs duties of 82 per cent.

A new set of tariff cuts (7 percentage points) was effected on 1 January 1994, while the list of exceptions to preferential trade liberalization was reduced by 20 per cent. The aim is to achieve total free trade by 31 December 1994. Meanwhile, trade among MERCOSUR countries in 1992 accounted for around 18.2 per cent of the group's total exports. A common external tariff is also envisaged and member States have been meeting to address contentious issues, particularly the level of the tariff and its date of application. In respect of relations with other countries in the region, MERCOSUR member States agreed in May 1994 to jointly negotiate preferential trade agreements in the region.

52. In 1989 the Conference of Heads of State and Government of the Caribbean Community (CARICOM) established a working group to review CARICOM's common external tariff. The group presented its report to a special CARICOM conference in October 1992 which agreed to a phased reduction of the common external tariff beginning January 1993 to a maximum of 25 per cent by 1998. Intra-Community trade in 1992 accounted for about 9.0 per cent of the Community's total exports which was about the highest level attained since 1980. With a view to fostering trade cooperation with neighbouring countries, the first CARICOM/Central America Ministerial Conference was held in January 1992 and agreement was reached on the creation of a permanent institutional arrangement, the CARICOM/Central America Consultative Forum, to pursue cooperation between the two subregions. Similarly, in October 1992, a CARICOM/Venezuela Trade and Investment Agreement was signed, to enter into force on 1 January 1993. It provides for one-way duty free access of CARICOM goods to the Venezuelan market.

53. The special CARICOM conference in October 1992 also considered a report entitled "Time for Action" presented by the 15-member West Indian Commission that was established by the 1989 CARICOM conference to make recommendations for deepening the integration process and strengthening CARICOM. The special conference basically adopted the main recommendations of the report and their subsequent implementation has initiated a series of change within the Community. The recommendations include: the establishment of the Caribbean Community of Ministers (comprising the CARICOM ministers in each member States) which would eventually replace the Common Market Council as the second highest organ of CARICOM; the adoption of a "charter of civil society" for CARICOM; amendments to the Treaty of Chaguaramas establishing CARICOM, as a means of updating the provisions of the Community's legal framework for the 21st century; and the establishment of an Association of Caribbean States (see paragraph 45). Also established was a Bureau of the CARICOM Conference comprising three heads of State and the Secretary-General with competence to "initiative proposals, update consensus, mobilize action and secure implementation of CARICOM decisions in an expeditious and informed manner". The Bureau held its first meeting and has begun to address some of the key and pressing issues before the Community such as facilitating the implementation of CARICOM decisions and overseeing the restructuring of CARICOM institutions and organs.[24]

B. Interregional developments

54. Developing countries have also been active in strengthening economic cooperation at the interregional level. An important aim of the Africa, Caribbean and Pacific (ACP) Group of States is to ensure the realization of the objectives of the Lomé Conventions. Thus the ACP Group is presently preparing for the mid-term review of the Lomé IV Convention, which was signed in 1991 for a duration of 10 years. The first five years of the Convention had funding from the European Union amounting to of 12 billion European Currency Units (ECU) (US$ 14.4 million). The ACP Group hopes the European Union will increase the funding for the next five years above the original level. The mid-term review is to be completed by February 1995.

55. Within the framework of the Group of 77, the Inter-Governmental Follow-up and Coordination Committee on ECDC (IFCC) monitors developments pertaining to the Caracas Programme of Action of the Group of 77. During its eighth meeting at Panama City from 20 August to 3 September 1993, the Group reviewed the Caracas Programme of Action and made a number of recommendations in the areas of trade, technology, food and agriculture, raw materials, industrialization and technical cooperation. The meeting also agreed that environment and human resource development be integrated into future programmes.[25]

56. The Global System of Trade Preference among Developing Countries (GSTP), which has its roots in the Caracas Programme of Action mentioned above, now comprises 40 participating countries from the Group of 77, including six least developed countries. Trade flows moving under the GSTP agreement have been increasing gradually but they remain modest. On 21 November 1991, the GSTP Ministerial Meeting in Teheran (Islamic Republic of Iran) adopted the Teheran declaration launching the second round of GSTP negotiations with the aim of facilitating the process of accession to the GSTP agreement and carrying forward the exchange of concessions. The Teheran declaration provided for the establishment of the GSTP Negotiating Committee for the Second Round. The Negotiating Committee held its first session on 2 July 1992 and adopted its plan for the second round which established four subsidiary bodies in the following areas: facilitation of accession, product-by-product negotiation, across-the-board tariff negotiations, and direct trade measures, non-tariff and sectoral agreements. The four negotiating groups commenced their work in March 1993.

57. The Conference of Heads of State and Government of the Non-Aligned Movement (NAM) held in September 1992 in Indonesia concluded with the adoption of the "Jakarta Message" reaffirming the rationale of NAM, urging NAM to play a more active role in international relations and, in this respect, calling for a shift in international relations towards a strengthening of multilateral cooperation for development. In addition the Chair-country of NAM, Indonesia, elaborated an Economic Agenda for Priority Action 1992-1995 of NAM, consisting of high-priority follow-up activities to the Conference which the Chair-country intends to implement during that period.

58. The Summit Level Group for South-South Consultation and Cooperation (G-15) held its fourth meeting at New Delhi (India) in March 1994.[26] The meeting decided to broaden the scope of intra-Group economic cooperation through the establishment of a committee on trade, investment and technology, which will endeavour to evolve trans-regional arrangements with

features such as trade liberalization, facilitation and promotion. The private sector will be closely associated with this initiative and the committee will also establish interactive links with related G-15 projects to reinforce their complementarities and utilize fully the opportunities created. The meeting also agreed to provide for meetings of G-15 ministers of foreign affairs, economic affairs, trade, agriculture, environment and science and technology on a regular basis in the inter-summit period. A business forum, which was held in combination with the summit, drew up time-bound action plans for strengthening transport, financial and information infrastructure for intra G-15 trade.

59. More than 10 countries from the Organization of the Islamic Conference (OIC) have signed a framework agreement on the creation of a preferential trade system that was drafted in 1991 to promote trade growth. The agreement will take effect when a total of 10 of the signatory member States have ratified it.

C. Mixed groupings

60. The establishment of the Asia Pacific Economic Cooperation (APEC) secretariat in January 1993 in Singapore transformed APEC from an informal dialogue group to a formal institution comprising all the major economies of the Asia-Pacific region. The APEC secretariat provides APEC with the institutional base for more effective cooperation on a wide range of practical projects and for cooperation with other regional institutions. In 1993 APEC senior officials and the "shepherds" — the chairpersons of the APEC Working Groups[27] — held meetings regarding their field of responsibility; and numerous seminars, study tours and other activities were sponsored by the APEC Working Groups as well as the informal Group on Trade Liberalization and the Ad Hoc Group on Economic Trends and Issues. APEC also issued several reports and publications, the Eminent Persons Group started its work and a ministerial meeting was held at Seattle (United States) at which Mexico and Papua New Guinea were admitted as new members.

61. The North American Free Trade Area (NAFTA) agreement signed by the United States, Canada and Mexico in December 1993, entered into force on 1 January 1994 after ratification by the three legislatures. NAFTA provides for the progressive elimination of all customs duties, as well as prohibitions and quantitative restrictions, in trade between the participants in respect of goods qualifying as North American under its rules of origin; except for national defense government procurement procedures will be open, over and above certain levels, to suppliers from all three countries; and significant barriers to investment will be removed as each member country will treat investors from another member country no less favourably than other investors, including its own, and financial service providers of a NAFTA country may establish affiliates in any other NAFTA country. The NAFTA agreement is accompanied by side agreements on environmental and labour standards and safeguards.

62. The South Pacific Forum (SPF), for the first time, adopted a theme for its meeting in July 1994 relating to the sustainable management of resources. The theme is of particular relevance to the island developing countries which, with the exception of a very few, have limited natural resources. The Forum's secretariat provided specialized assistance to members States which included: organizational support for the second Economic Summit of Small Island States Leaders

in January 1993, which was hosted by Tuvalu and attended by the Cook Islands, Kiribati, Nauru and Niue;[28] 22 short-term advisory service consultancies in eight SPF island countries and six subregional consultancies; awarding of about 60 fellowships to beneficiaries from 12 SPF island countries in various development fields; and the provision of a total of 40,000 Fiji dollars each was provided from a regional disaster relief fund to Papua New Guinea, the Marshall Islands and Vanuatu, which were struck by natural disasters.[29]

Chapter III
TECHNICAL ASSISTANCE

63. Over the period 1992 to 1993, the UNCTAD secretariat provided advisory support and implemented several technical assistance projects having a direct bearing on ECDC. These activities were normally carried out in cooperation and partnership with interested donor countries and other United Nations bodies, including the United Nations Development Programme and the regional economic commissions.[30] Some new initiatives were also launched.

A. Integration groupings

64. Assistance to ECOWAS covered activities aimed at enhancing its trade liberalization, improving monetary and financial cooperation and establishing a coastal shipping service. A consultant was recruited to assist ECOWAS in establishing a work programme which would assist member States in elaborating a common external tariff. The work programme was established and, in conformity with it, a survey of the different protection systems applied by ECOWAS member countries was made. In respect of monetary cooperation, four studies aimed at preparing the ground for greater currency convertibility and the establishment of a single monetary zone were also made. The survey of protective measures and the four studies were submitted to the appropriate organs of ECOWAS. Suggestions regarding follow-up technical assistance were made, but no successor project has so far been approved. In respect of the coastal shipping service, the Follow-up Committee, which was created in 1991, drew up a work programme, including a market study. It also initiated actions for the mobilization of potential investors, and examined the types of vessel most suited for the service. All activities have slowed down for lack of financial resources.

65. Assistance to ECCAS involved the liberalization of trade, creation of a customs union and establishment of a common external tariff. The second and third parts of a study on ECCAS rules of origin and a study on a compensation scheme for loss of fiscal revenue resulting from the implementation of the grouping's trade liberalization scheme were completed. A consultant assisted the ECCAS secretariat in formulating a work programme for the establishment of a common external tariff. All these studies were submitted to the ECCAS secretariat but no feedback has been received, mainly because of reduced activity of ECCAS as a consequence of the acute financial crisis. Technical cooperation activities ended in December 1992, and a successor project, although necessary, has not been approved as yet.

66. A new project of technical assistance to UMA was launched in 1994. Preparatory work has started on two activities, namely, a study on a compensation scheme for loss of fiscal revenue resulting from implementation of trade preferences and the organization of a meeting of Maghrebian enterprises in early 1995.

67. Progress in the establishment of a regional investment information and promotion service for Asia and the Pacific, within the framework of the Bangkok Agreement, was delayed due to lack of sufficient funds. To address this problem and continue with the initiative, a new

feasibility study and programme of action is being developed by the secretariat of the Economic and Social Commission for Asia and the Pacific.

68. In addition to the above activities, several advisory missions were performed by UNCTAD staff and interregional advisers to groupings in Africa (ECOWAS, OAU, PTA, SADC, UMA), Asia (ASEAN, Bangkok Agreement, ECO, SAARC) and Latin America and the Caribbean (CARICOM, OECS, SICA).

B. Payments and clearing arrangements

69. Assistance to the Arab Trade Financing Programme (ATFP) included the preparation of detailed terms of reference for activities aimed at the establishment of systems and procedures for financing intra-Arab trade. This included the preparation of a manual on the procedures for loans and credits to be extended by ATFP to national agencies, a short guidebook in conjunction with the manual, and seminars for staff of national agencies concerning the ATFP. Assistance was also provided with the help of a consultant to the Asian Clearing Union (ACU) for the preparation of a study dealing with the prospects for broadening, deepening and diversifying the functions of ACU in the 1990s.

C. Enterprise cooperation

70. The Association of African Trading Enterprises (ASATRADE) was assisted in establishing improved relations with partners in the Canary Islands (Spain). A cooperation agreement was drawn up between ASATRADE and the Chamber of Commerce of Tenerife (Canary Islands, Spain), covering several aspects including reciprocal trade missions and the training of representatives of African enterprises in marketing techniques. An analysis of the possibilities of export expansion of Cape Verde towards Latin America was made and a report dealing with the export potential of sub-Saharan free zones[31] was finalized. In addition, within the general context of cooperation between African and Latin American countries, the UNCTAD secretariat prepared a report on sub-Saharan African free zones (UNCTAD/ECDC/225, Part I and II), and a report on the current situation and prospects for trade and economic cooperation between Africa and Latin America (UNCTAD/ECDC/241, 24 February 1994). These reports will serve as documentation for a symposium to be organized in November 1994 on the impact of the results of the Uruguay Round of Multilateral Trade Negotiations on cooperation among free zones of developing countries. The symposium will examine in particular the implications of the changes in the international trading system on the context in which the free zones operate, and develop new forms of cooperation among these free zones.

D. Global System of Trade Preferences among Developing Countries

71. Technical cooperation activities in support of the GSTP were carried out with funding from the Pérez Guerrero Trust Fund and contributions from the GSTP Trust Fund. In the course of 1992 and 1993, technical support was provided through the GSTP project towards the

implementation of the GSTP concessions. The activities related to the servicing of formal and informal meetings of the GSTP bodies and the tabulation of trade control measures; standard forms were proposed and used for the submission of offer and requests, and technical support extended in the area of across-the-board tariff negotiations (see also paragraph 56).

E. Technology

72. In response to the rapid pace of technological change and its increasing complexity, which has induced countries, enterprises and research institutions to intensify their search for new approaches in economic as well as in technological cooperation, the UNCTAD secretariat launched an initiative aimed at encouraging technological cooperation among developing countries. In the course of 1992-1993 a paper entitled "Technological cooperation among developing countries: an examination of selected issues", which describes the broad characteristics of modalities of cooperation in the field of technology, was prepared and circulated to experts. In 1993 a workshop on cooperation in technological research and modalities for application or commercialization of results, involving research institutions and enterprise associations, was approved for implementation through the Asian and Pacific Centre for Technology Transfer, jointly with UNCTAD. The workshop is scheduled to take place in November 1994.

NOTES

1. See "Report of the Standing Committee on Economic Cooperation among Developing Countries on its first session", held at the Palais des Nations, Geneva, from 11 to 15 January 1993 (United Nations, New York 1993: TD/B/39(2)/16-TD/B/CN.3/5, annex I).

2. "Review of major developments in the area of economic cooperation among developing countries" (TD/B/CN.3/3, 4 December 1992).

3. For more discussion on the economic reforms in developing countries, including trade policy developments, see *Trade and Development Report, 1993* (United Nations publication, Sales No. E.93.II.D.10).

4. UNCTAD maintained a stand at the fair to display and distribute UNCTAD documents relating to trade promotion; participated in a symposium on trade promotion for which a technical report had been prepared entitled "Review and prospects of trade, monetary and financial cooperation between African and Arab countries" (UNCTAD/ECDC/Misc.118, 26 October 1993); and, at the request of various delegations, organized a meeting to provide information to participants on the role and activities of UNCTAD.

5. The report of the second conference is being prepared by the UNCTAD secretariat.

6. This issue is discussed in an UNCTAD secretariat document entitled "Analysis of trade and trade strategies among developing countries" (UNCTAD/ECDC/242, 22 June 1994).

7. For relevant discussion see UNCTAD secretariat document entitled "Impediments and disincentives to trade among developing countries: a survey" (UNCTAD/ECDC/244).

8. For discussion see UNCTAD/ECDC/242.

9. The assessment in this section is based on an UNCTAD secretariat document entitled "Clearing and payments arrangements among developing countries: recent developments, long-term policy considerations" (UNCTAD/ECDC/238, 4 February 1994).

10. UNCTAD/ECDC/238, para. 43 and table 3, p. 38.

11. The African Export-Import Bank was created in 1993 by 113 parties involving 42 Governments and central banks (Class A shareholders), 62 private African financial institutions (Class B shareholders) and 9 non-regional bodies (Class C shareholders). Created with an initial capital of US$ 750 million to be completed over a period of 8 years, the Cairo-based AFREXIMBANK's objectives are to encourage trade and commercial relations among African countries, promote non-traditional exports outside the continent, extending financial facilities to African clients with soft or reduced financial terms, remove barriers affecting the flow of trade among African countries and between African countries and third parties. The shareholders consist of African Governments and their central banks (65%), African commercial banks and insurance companies (10%), non-African commercial and financial institutions and insurance companies (25%). The biggest shareholder is Egypt with US$ 103 million investment. The bank technically started operations on 1 September 1994.

12. See "Review and prospects of monetary and financial cooperation between African and Latin American countries" (UNCTAD/ECDC/239, 4 February 1994).

13. These issues are examined in a forthcoming UNCTAD secretariat document entitled "The role of regional capital markets in enhancing resource mobilization and in promoting their efficient use".

14. The general trends and policy implications arising from these recent initiatives are described in an UNCTAD secretariat document entitled "Strengthening subregional and regional integration and fostering interregional cooperation, as well as promotion and expansion of trade among developing countries" (TD/B/CN.3/8). Further information can also be obtained from the UNCTAD secretariat document entitled "Follow-up to the recommendations adopted by the Conference at its eighth session: evolution and consequences of economic spaces and regional integration processes" (TD/B/40(1)7, 23 July 1993).

15. UNCTAD secretariat estimates based on IMF, *Direction of Trade Statistics Yearbook*, various issues.

16. CEAO was created with the signature of its constituent treaty in May 1973. The treaty entered into force in January 1974. The existence of CEAO, MRU and ECOWAS in West Africa contributed to impeding cooperation and integration as the scope of cooperation overlapped and resulted in some duplication of activities. Moreover, it polarized the subregion into English and French-speaking groupings.

17. There was an East African Community created in June 1967 when the Presidents of Kenya, the United Republic of Tanzania, and Uganda signed the constituent treaty. The treaty came into force in December of the same year and, after functioning for 10 years, the Community was dissolved in 1977.

18. SADC annual consultative conferences will in the future be convened as and when needed.

19. For a thorough analysis of the trade and investment flows among the Bangkok Agreement countries, see *Expansion of trade and investment among ESCAP developing countries within a regional framework* (United Nations publication, 1992, ST/ESCAP/1185).

20. For details see *Annual report of the ASEAN standing committee, 1992 - 1993.*

21. The ASEAN Regional Forum brings together the ASEAN member States, Lao People's Democratic Republic, Cambodia, Viet Nam, Myanmar and several other developed and developing countries to engage in a regional security dialogue.

22. See also a forthcoming UNCTAD secretariat document entitled "Regionalization and integration into the world economy: the Latin America experience in trade, monetary and financial cooperation".

23. For details, see "Country presentation by Colombia" (TD/B/WG.4/Misc.8, 11 August 1993).

24. Further details are available in the *Annual report of the Secretary-General of the Caribbean Community, 1992* (CARICOM Secretariat, Georgetown, Guyana, 1993).

25. See the final report of the meeting reference G-77/IFC-VIII/93/RPT, which is also available as General Assembly document reference A/C.2/48/5 (26 October 1993).

26. Argentina has offered to host the fifth meeting in 1995, and Zimbabwe the sixth in 1996.

27. There are 10 APEC Working Groups dealing respectively with trade and investment data, trade promotion, investment and technology transfer, human resource development, regional energy cooperation, marine resource conservation, telecommunications, transportation, tourism and fisheries.

28. At the summit, the Leaders agreed that they should explore every means for bringing about greater levels of development among the smaller island States of the SPF, including the possibility of establishing a consortium to promote private investment.

29. Further details can be obtained from the *South Pacific Forum Secretariat Annual Report: 1992-1993.*

30. An analytical review of the technical cooperation activities of UNCTAD, including the area of ECDC, is provided in the UNCTAD secretariat document entitled "Review of the technical cooperation activities of UNCTAD: technical cooperation programme of UNCTAD 1992-1993" (TD/B/WP/84).

31. Free zones go under various names but they involve an area, usually situated near a port or an airport, where goods may be freely stored for periods of varying length, prior to re-export. This category covers free ports, transit zones, duty-free zones and duty-free shops.